Saskatchewan Milk Control Board Update

February 16, 2010

CHAIRMAN'S MESSAGE – BLAINE McLEOD

As I write this update the days are beginning to lengthen and the sun is slowly regaining some of its warmth. I trust everyone is managing to keep ahead of the never ending work load, and you are all able to find the time to prepare for the spring and summer that will soon be upon us.

I would like to take the opportunity to update all of our producers regarding the progress toward creating our new milk marketing board. There has been significant progress towards bringing our plan to life. Ryan Boughen has been asked, by the Interim Board, to lead the transition from two separate entities into one organization. Transitional regulations are being developed by the Government that will allow the new organization to begin to function. Final operational authority will come after the legislative changes are finalized during the spring sitting of the Legislature.

Another item that will need to be addressed is that of finding a suitable location for an office. It has been determined that both of the present locations do not have sufficient space for the future needs of our combined organizations. We need to find office accommodations that will allow for increased space in an economical fashion.

The Interim Board has also recognized the need to establish good foundational principles for an appropriate model of governance. We will be meeting in the next weeks with a facilitator who will help us establish clearly defined roles and responsibilities. This is a crucial step in helping us efficiently use our time and energy. We are faced with difficult decisions on an ever increasing basis. Having a clearly defined governance structure will be essential to our success.

In a previous letter, producers were informed of the recent decision to return the 3% temporary reduction of quota. Our cumulative position as a province warrants this reinstatement. The Board had anticipated a decision at the January CMSMC meeting that would have decreased our quota, based on increased levels of butter stocks. Unanimous support was not achieved and the decision was postponed. The Milk Control Board will monitor further developments and will inform producers accordingly. The Board continues to encourage each producer to fully utilize the quota that has been allocated to them. The transfer of production credits is a useful tool to help accomplish that goal. If you require any assistance please contact the Board office and we would be pleased to provide any assistance that may be required.

QUOTA EXCHANGE

The market-clearing price established for the February, 2010 Quota Exchange was **$31,025.00.** The results of the Quota Exchange are outlined in the following Table.

The next Quota Exchange will be held on March 15, 2010. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, **March 8**, 2010. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. **Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.** The clearing price is set at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.

QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$31,025.00**
Daily Kilograms offered to Purchase	**51.00**
Kilograms offered to Sell	**38.00**
Kilograms sold	**25.00**
Number of Producers	
- offered to purchase	**9**
- purchased quota	**5**
- offered to sell	**4**
- sold quota	**2**

QUOTA EXCHANGE

Price ($/daily kg b.f.)	No. of Sellers	Cumulative Sellers	Daily Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Daily Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
26,645	0	0	0	0	-51.00	51.00	1.37	9	1
28,000	0	0	0	0	-49.63	49.63	4.00	8	1
29,000	1	1	1.00	1.00	-44.63	45.63	0	7	0
30,200	1	2	24.00	25.00	-20.63	45.63	0	7	0
30,350	0	2	0	25.00	-20.63	45.63	8.50	7	1
30,842.50	0	2	0	25.00	-12.13	37.13	10.96	6	1
31,025	**0**	**2**	**0**	**25.00**	**-1.17**	**26.17**	**5.68**	**5**	**1**
31,050	0	2	0	25.00	4.51	20.49	5.75	4	1
31,107	1	3	10.00	35.00	20.26	14.74	10.00	3	1
31,500	0	3	0	35.00	30.26	4.74	2.74	2	1
32,850	1	4	3.00	38.00	36.00	2.00	2.00	1	1

How to Buy or Sell Daily Quota on the Exchange

With the change from annual quota to a daily quota, there are some changes to submitting bids on the Quota Exchange. There are two steps to convert your bid, whether buying or selling, from annual to daily quota.

For the purposes of this example, an annual quota bid of 3,000 kgs of butterfat at $60.00/kg will be converted to a daily quota bid.

Step 1: Convert annual kgs of butterfat to daily kgs of butterfat.
3,000 kgs ÷ 365 = 8.22 kgs/day
(Daily Quota is calculated up to 2 decimal places)
Step 2: Convert bid to dollars per kg per day
$60 × 365 = $21,900.00

Therefore, the bid, whether buying or selling would be:

- 8.22 kgs/day at the price of $21,900

to obtain an equivalent bid of 3,000 kgs at $60/kg under the annual quota policy.

The monetary value of this bid would be:
8.22 kgs/day × $21,900/kg = $180,018

PRODUCER TRANSFER CREDIT LIST

The Board will be maintaining a Producer Transfer Credit list to assist producers in transferring credits (in or out) with another producer.

Producers wanting to transfer credits (in or out) with another producer can contact the Board to have their name added to the Board's Producer Transfer Credit List. This list is posted on the Board website and is also available by weekly email or upon request by fax, email, or regular mail. The Board will also enclose the list with the monthly newsletter.

The transfer credit list will be updated on a daily basis as requests come into the office. Posting will be dated and kept on the list for two months. It is up to the producer to contact the Board to repost their name after the two month period is up, or to have their name removed from the list if it is no longer required. Producers may contact the Board at 787-5319 or 787-6457 for additional assistance.

TRANSFER CREDIT SUMMARY REPORT

MONTH	# OF PRODUCERS TRANSFER IN	# OF PRODUCERS TRANSFER OUT	TOTAL KGS BUTTERFAT
August 2009	1	1	422
September	16	14	16,407
October	13	13	13,416
November	19	19	26,752
December	19	26	24,684
January/2010	14	14	17,760

SUMMARY REPORT OF CREDITS AS OF January 31, 2010 – 197 PRODUCERS

DAYS	# OF PRODUCERS	POSITIVE CREDITS ACCUMULATED (KGS OF BUTTERFAT)
+ 5 to +10	56	59,098.71
0 to 5	57	16,412.83
TOTAL	113	75,511.54
DAYS	**# OF PRODUCERS**	**NEGATIVE CREDITS ACCUMULATED (KGS OF BUTTERFAT)**
-30	0	0
-25 to -30	0	0
-20 to -25	5	-17,545.67
-15 to -20	5	- 2,101.67
-10 to -15	12	-11,977.83
-5 to -10	20	-14,328.39
0 to 5	42	-11,903.99
TOTAL	84	-57,857.58

OVER QUOTA (OVER 10 DAYS) REPORT BY MONTH

MONTH	# OF PRODUCERS	BUTTERFAT
August 2009	5	588.48
September	7	922.57
October	13	4,466.11
November	13	2,682.50
December	14	3,267.51
January 2010	16	5,444.53

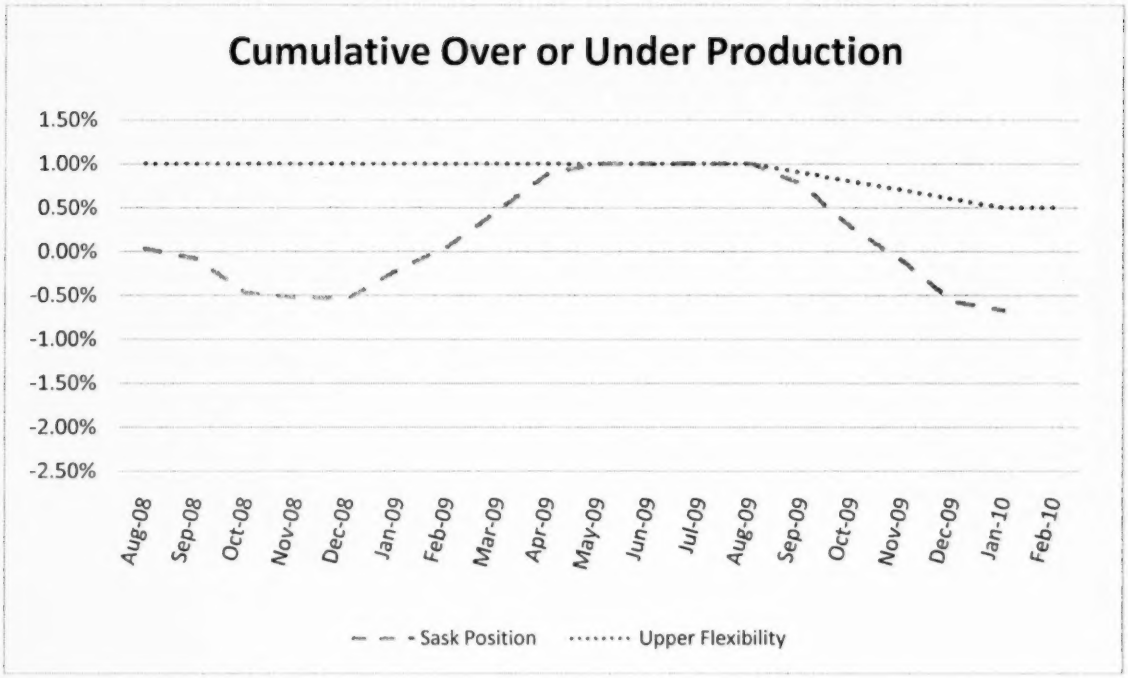
WEIGHTED AVERAGE COMPONENT TESTS & PRICES January 2010

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.7697	$11.141248
Protein	3.3198	$ 8.141247
Other Solids	5.6762	$ 1.190387

Based on the average component tests for the province, the average price received was $75.7778 per hectolitre. **The average butterfat price received per kilogram was $19.95.**

SASKATCHEWAN MILK POOL RESULTS January 2010

Milk Sale Revenue	$ 14,679,284.90
Western Milk Pool	$ - 260,015.51
Dairy Farmers of Canada Skim Off	$ -19,054.62
Plant of Last Resort Service	$ -54,994.33
Total Pool Value	**$ 14,345,220.44**



3% QUOTA REINSTATEMENT

On February 9, 2010, the Milk Control Board advised producers that the 3% temporary decrease that was issued on September 1, 2009 was being reversed effective March 1, 2010. Therefore, the temporary quota decrease that was issued on September 1st will be offset by an equivalent quota increase on March 1st (see example below).

Month	Year	T Permanent Increase/- Decrease kgs of bfat	U Temporary Increase/ - Decrease Kgs of bfat	V Buying/- Selling quota Kgs of bfat	E Total daily quota Kgs of bfat
August	2009	0.00	0.00	0.00	100.00
September	2009	0.00	**-3.00**	0.00	97.00
October	2009	0.00	0.00	0.00	97.00
November	2009	0.00	0.00	65.00	162.00
December	2009	0.00	0.00	0.00	162.00
January	2010	0.00	0.00	0.00	162.00
February	2010	0.00	0.00	0.00	162.00
March	2010	0.00	**3.00**	0.00	165.00

In January, Saskatchewan had a monthly CDC allocation of **726,206 kilograms** of butterfat. In the month of January, Saskatchewan was **-7,802 kilograms** of butterfat **under** and cumulatively **under** by **-57,326 kilograms** of butterfat. On a percentage basis, Saskatchewan is at **-0.67%** within our CDC allocation flexibility limits based on the Continuous Quota model.

	(1) Monthly Total Production Kgs bf	(2) Total Monthly CDC Quota Allocation Kgs bf	(3) Monthly Over or (Under) Production Kgs bf col. 1 – 2 = 3	(4) Lower Flexibility Limit **(1.5%)** Kgs bf col. 9 * -1.5%	(5) Upper Flexibility Limit **1.0%** Kgs bf col. 9 *1.0%	(6) Cumulative Over or (Under) Production with limits Kgs bf	(7) Cumulative Over or (Under) Production with limits in % col. 6 / 9	(8) Over Quota or (Lost Production Opportunity) Kgs bf	(9) Rolling 12 Month Total Quota Kgs bf
Feb-09	696,788	673,298	23,491	(130,537)	87,025	**4,842**	**0.06%**	-	8,702,483
Mar-09	780,327	744,392	35,935	(130,534)	87,022	**40,777**	**0.47%**	-	8,702,246
Apr-09	743,837	707,299	36,538	(130,272)	86,848	**77,315**	**0.89%**	-	8,684,788
May-09	764,294	725,295	31,082	(130,197)	86,798	**86,798**	**1.00%**	21,599	8,679,813
Jun-09	717,102	691,713	25,389	(130,214)	86,809	**86,809**	**1.00%**	25,378	8,680,919
Jul-09	712,229	708,281	3,948	(130,318)	86,879	**86,879**	**1.00%**	3,878	8,687,893
Aug-09	714,200	703,553	10,646	(130,198)	86,799	**86,799**	**1.00%**	10,727	8,679,854
Sep-09	682,235	702,484	(20,249)	(130,044)	78,026	**66,550**	**0.77%**	-	8,669,604
Oct-09	707,240	750,251	(43,010)	(129,817)	69,235	**23,540**	**0.27%**		8,654,437
Nov-09	690,742	723,613	(32,871)	(129,718)	60,535	**-9,331**	**-0.11%**		8,647,851
Dec-09	723,022	763,216	(40,194)	(129,616)	51,846	**-49,525**	**-0.57%**		8,641,040
Jan-10	718,404	726,206	(7,802)	(129,294)	43,098	**-57,326**	**-0.67%**		8,619,600

(1) Monthly Production in Saskatchewan
(2) Total Monthly Quota = Class 1 sales + Monthly MSQ + Carry Forward
(3) Difference between the monthly production (1) and the total monthly quota (2)
(4) The Lower Flexibility Limit is -1.5% of Rolling 12 Month Total Quota (9)
(5) The Upper Flexibility Limit is 1.0% of Rolling 12 Month Total Quota (9)
(6) Previous Month Cumulative Over or (Under) Production + Current Monthly Over or (Under) Production (capped at lower or upper limit if applicable)
(7) Equal to Column (6) expressed as a percentage basis within the flexibility limits
(8) Over Quota or (Lost production opportunity) outside of flexibility limits
(9) Total Monthly CDC Quota Allocation for the previous 12 months

ACCOUNTING VALUES FOR CLASSES OF MILK February 2010

	Butterfat ($/kg)	**$ per hl. Skim milk)**	
Class 1a	$5.4000	$68.22	
Class 1b	$5.4000	$66.57	
Class 1c	**As approved by the Board**		
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.5345	$5.6453	$5.6453
Class 3a	$7.5345	$13.1870	$0.8946
Class 3b	$7.5345	$12.9343	$0.8786
Class 4a, 4b, 4d & 4d(1)	$7.5345	$5.2469	$5.2469
Class 4a(1)	$7.5345	$2.50	$2.50
Class 4c	**As approved by the Board**		
Class 4m	$0.7000	$0.7000	$0.7000
Class 5a	$3.5874	$6.3157	$0.4142
Class 5b	$3.5874	$2.5728	$2.5728
Class 5c	$3.9963	$2.1680	$2.1680
Class 5d	**As determined by**	**the CDC**	

CANADIAN DAIRY INDUSTRY DONATES TO HAITI

John Core, C.E.O. of the Canadian Dairy Commission (CDC) announced on January 27th that the CDC, on behalf of dairy producers and processors, is in the process of donating 110 tonnes of skim milk powder (SMP) to Haiti following the devastating earthquake on January 12th. The CDC is working with the following organizations in the delivery of this SMP:

- CECI (Centre Etude Canadien International) in Montreal
- Food for the Poor Canada in Toronto
- FOTOCAN (Friends of the Orphans Canada) in Nova Scotia
- Canadian Food for Children in Toronto

Saputo, Agropur, Gay Lea and Parmalat have agreed to cover the processing costs for 25 tonnes of SMP each. It is expected that Dairytown and Farmers Co-op will cover the processing costs for the remaining 10 tonnes.

As of February 8th, 73 tonnes of SMP have been shipped to Haiti.

2010 WESTERN CANADIAN DAIRY SEMINAR

The 28th Western Canadian Dairy Seminar entitled A Decade of Success in the New Millennium will be held March 9 – 12, 2010 in Red Deer, Alberta. Highlights of the seminar will include sessions about Enhancing Production Efficiency; Optimizing Reproductive Performance; Dairy

Industry Updates; Nutrition; Farm Management; Milking Management and Technologies and Genomics and Genetic Selection. The conference coordinator is Joanne Morrison and she can be reached by phone at (780) 492-3236 or email wcds@ualberta.ca . The website is www.wcds.afns.ualberta.ca

PRODUCER MEETINGS - MARCH 2010

The Board and Dairy Farmers of Saskatchewan will hold the next session of producer meetings as a joint effort. An agenda will be provided in the March, 2010 Newsletter. Please mark your calendars and plan to attend. The schedule of meetings is as follows:

DATE	TIME	DISTRICT	LOCATION
Thursday, March 25	9:00 a.m.	Saskatoon	Brian King Centre 202 8th Avenue N. Warman
Friday, March 26	9:30 a.m.	Melfort	Travelodge Heritage Room 101 Spruce Haven Rd. Melfort
Monday, March 29	9:30 a.m.	Swift Current	F.O.A. Eagles 1910 S Service Rd. W Swift Current
Tuesday, March 30	9:30 a.m.	Yorkton	St. Mary's Parish Ukrainian Catholic Cultural Centre 240 Wellington St. Yorkton
Wednesday, March 31	9:30 a.m.	Vibank	Senior Citizens Centre Main Street Vibank

Milk Control Board Website Shutdown for Maintenance

Due to computer upgrades and maintenance by our technology service provider, the Milk Control Board website may be unavailable from **Friday March 5, 2010 at 5:00 p.m. until 6:00 p.m. on Sunday March 7, 2010.** This includes lab test results, quota management sheets, and all other information including forms.

As a result of this shutdown, the quota exchange and whole farm transfer deadline has been extended to March 8th. We regret any inconvenience this may cause.

GST on Transfer Credit Transactions

Please be advised of the following information that was published in Alberta Milk's January 2010 "Milking Times" newsletter. The Milk Control Board has not received a similar request or order for Saskatchewan; however it is important that producers are informed of this information.

"Alberta Milk was served with a federal court order on November 26, 2009 on behalf of the Minister of National Revenue. Alberta Milk is required to provide, by January 31, 2010 a complete list of individuals or entities who loaned, transferred or disposed of milk quota through Alberta Milk for the taxation years 2006, 2007 and 2008. The list must include addresses and contact information for all parties identified. On the advice of legal counsel, Alberta Milk will be complying with the court order.

...the sale of quota is considered a zero-rated transaction for GST purposes and therefore not subject to GST. However, the same provision was not provided for lease transactions, whether be it the lease of land or the lease of quota. These transactions are not considered zero-rated and are subject to GST. The sale of credits would be considered similar to a quota lease, for GST purposes, and therefore should be subject to GST."

Based on consultation with Meyers Norris Penny the trading of transfer credits are subject to GST at a rate of 5%

- The Excise Tax Act ("ETA") Regulations – Agriculture and Fishing Property (GST/HST) Regulations subsection 1(5), zero-rates the "sale" of quota authorized by a government agency or marketing board in respect of an agricultural product the supply of which is included in section 1 of Part III or in section 1, 2, 3, 4 or 7 of Part IV of Schedule VI to the Excise Tax Act. Subsection 1 (d) of Part III Schedule VI of the ETA provides for the zero-rating of milk based beverages.
- By definition under subsection 123(1) of the ETA, a sale in respect of property includes any transfer of the ownership of the property and a transfer of the possession of the property under an agreement to transfer ownership of the property.
- The transfer of credits is by definition, not a sale of the quota as ownership of the quota has not transferred; as such, the transfer of the credits is not captured under the zero-rating or exemption provisions of the ETA and would be subject to the GST at the rate of 5% in Saskatchewan.
- In essence the transferring of the credit is in respect of a right to use quota and not the sale of the actual quota. The ownership of the quota remains with the producer and ultimately with the Board. Only a "sale" of quota by definition is captured under the zero rating provision of the ETA regulations. "Credits" as defined under the Saskatchewan Milk Control Board represents the difference between a producer's actual production and daily quota allocation. Transfer credits are defined under the Saskatchewan Milk Control Board as negative credits that are transferred from one producer to another to change each producer's cumulative position.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows or miscellaneous dairy equipment is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Wanted – Quota & Cows to Purchase

- Wanted – quota to purchase – 20,000 kilograms. Contact Diamond Holsteins, Howard Huizing (306) 380-9336

- Wanted – cows and quota – Contact Don (306) 270-4700

- Wanted – Dairy Cows or Bred Heifers. Call anytime/leave message (604) 855-2731 or (306) 867-2176

Quota &/or Cows for Sale

- Purebred cows and/or heifers for sale. Call Sheldon Peifer @ (306) 862-7140 (cell) or (306) 862-9470.

- Two breeding age bulls for sale. Contact Ernest Friesen at (306) 931-1947 or (306) 260-9480.

- For sale – 10 milk cows. Phone Chad (306) 598-2054

- Bred heifers for sale – contact Danny at Box Elder Colony – (403) 502-9997

- For sale: 8 registered Holstein heifers due September – December
  For sale: 1 registered Holstein bull, 20 months old. Sire – Regancrest Dundee
  Dam is a Comestar Stormatic with 246-230-235 BCA
  Contact Lloyd Sawatsky (306) 239-4818

Miscellaneous For Sale

- Alfalfa for sale. Contact Ron (306) 477-2570 or Ken (306) 374-8980.

- All Large square bales: Flax (awesome for wind break); Canola straw and Greenfeed. Call Jake Boot (306) 867-9926 or (306) 867-3899.

- 70 Bales 2nd cut Alfalfa RFV 150; Prot. 19.2; T0N 62.8; $110/ton obo
  Phone (306) 493-2482 Delisle, Saskatchewan

- 2nd cut alfalfa round bales, net wrap. Est. 1400 lbs.; Analysis available; Protein 19.76%. Phone or fax (306) 228-3727; Unity, SK

- 6 quarters of hay/alfalfa available for long-term contract – you specify the preferred mix and handling. Ten minutes north of Estevan (306) 634-4382.

- 134 top quality 2nd cut alfalfa hay bales, very clean, all leaves intact. Call for more info. Taking offers (306) 276-2003 Nipawin

- 50 Acres Greenfeed barley for sale in Bellevue area (63 day barley seeded July 5). Fields are clean. Can sell standing or baled. Taking offers. Contact Andy Grenier at Home: (306) 423-5682 or Cell: (306) 233-7835.

- - 95 DeBoer super comfort stall dividers - $30 each
  - Houle manure scraper - $5,000
    *hydraulic 3 HP electric unit
    *4 tilting scrapers (4 cylinders)
    *Automat control panel
    *496' track infloor
  - manure dumplids 4' x 8' - $400 each
  - 1 – 2,000 imp. gal poly water tank - $500
  - 2 – 1,000 imp. gal. poly water tanks - $350 each
  - 4 – 8' tip troughs - $250 each
  - 160 cozy cow mattresses 64" - $25 each c/w heavy duty cover
  - various swing gates 4 and 5 bar, 10 to 14 ft.
  Call Frans @ (306) 826-5776 – home or (306) 823-7262 - Cell

- Like new Knight Reel – Auggie 3250 Stationary Feed Mixer with 15' Conveyer & Electronic Scale – Phone (306) 280-6408

- Dairy Quality Hay 4 Sale – delivered. Contact Dale @ (204) 638-5581. Dauphin, Manitoba.

- 2000 U.S. Gallon Alfa-Laval Milk Tank with cooling condensers and compressors. Contact Ferch Farms (306) 736-2205.

- Dairy Equipment for Sale: 1 18" x 10' belt conveyor; 6 Waikato milk meters; 6 Delaval milk machines with vacuum pulsators; Delaval vacuum pump with 7.5 hp motor. Contact Lloyd Sawatzky, Saskatoon, SK Phone (306) 239-4818. Cell (306) 281-2247.

- Renn 10hp Roller mill; Conveyors, 2-14 ft x 18 inch, 1-42 ft x 18 inch; 2 – 6 inch electric augers, 10 & 14ft; Harvestore, Goliath and Hercules unloaders; Contact Leonard Blocka (306) 764-8439 or cell (306) 960-6608.

- 16 Waikato milk meters $250 each; 5,000 gallon new Delaval bulk tank, made in U.S.A. $50,000. Contact Corman Holsteins (306) 933-4608

- 2002 Tubeline Bale Wrapper and a dismantled 25/90 Harvestorg Silo. Call David Slykhuis @ (306) 453-2878 in Carlyle, SK

- 2000 gallon Delaval tank. Call James Hein (306) 365-3209

Wanted to Buy

- Used Ration Master II Processor (used for feed stations)
  Contact Margaret at (306) 782-7240.

The Market Bulletin of the Canadian Dairy Commission

The Market Bulletin published every month by the Canadian Dairy Commission (CDC) is now available on the Internet. This bulletin gives current information on milk production and demand, milk utilization by class, quota management, dairy products sales and returns, butter and cheese inventories, and more. It includes comments by CDC experts on the market and on stocks. The bulletin is normally published during the first week of each month and presents the most current available data, which are those of two months prior. The January 2010 Bulletin, for example, contains the November 2009 data.

It can be found in the "What's new" section of the CDC Web site at http://www.cdc.ca/cdc/index_en.asp?caId=85&pgid=2229 This website can also be found as a link on the Milk Control Board website www.smcb.ca entitled The Market Bulletin of the Canadian Dairy Commission.

Continuous Quota FAQs

Following the round of Continuous Daily Quota Seminars, a list has been compiled of the questions most frequently asked by producers.

Will my credit position change on August 1, 2010 if I was in a pre-fill position with 4m dollars being withheld and do not achieve a cumulative credit position of 0 days or less by July 31, 2010, thereby forfeiting those 4m dollars?

No, your credit position will not change; you will still be responsible for dealing with your positive credits.

What is the deadline for transferring negative credits if I exit the industry?

Producers who exit the industry will have the opportunity to transfer negative credits to other producers for a period of two months.

For example, if a producer exits the industry effective September 1st, that producer will have the opportunity to transfer any negative credits for the months of September and October. Any credits not transferred after that date will be lost. The deadline for transferring credits is the 20th of each month, therefore the deadline to transfer credits to another producer would be October 20th.

If my TPQ is reduced, either through a quota sale or quota reduction, and this causes me to exceed the +10 days cumulative position, what happens?

If a producer exceeds the +10 day limit as a direct result of a reduction in TPQ, that producer's TPQ will be capped at +10 days. No penalty will be assigned for exceeding the +10 day limit under this circumstance; however overproduction in the future will be penalized.

Are positive credit transfers permitted in farm splits?

No, positive credits cannot be transferred to another farm under any circumstance.

What happens to my negative credits that I have accumulated if I exit the industry (sell out)? What if I stop shipping milk before the quota transfer date?

When selling out, your daily quota (TPQ) is transferred to the purchasing producer using the Quota Transfer Form. Accumulated negative transfer credits are transferred using the Transfer Credit Form and may or may not be transferred to the producer purchasing your daily quota depending on the deal that you have struck. The Board will calculate the final available negative credits accumulated.

Should a producer cease shipments at least one full calendar month prior to the quota transfer date, that producer may transfer 95% of the estimated negative transfer credits that would accumulate in the month that no milk was shipped for an effective date of the first of the same month. The final available negative credits, the remaining 5%, that would have accumulated prior to the transfer date will be calculated by the Board and be available for transfer.

For example, if a producer ceases shipping milk on August 31st with an effective sale date of October 1st, 95% of the estimated negative credits that will be accumulated in the month of September may be transferred for a September 1st effective date. In early October, the Board will calculate the final negative credit total and those negative credits may be transferred to another producer at that time.

If I ship less than 100 % of my quota as of July 31, 2009, will I start in a negative credit position August 1, 2009?

No, producers shipping 100% or less as of July 31, 2009, will start at zero credits August 1, 2009. This would be the case whether Saskatchewan moved to Continuous Daily Quota or not.

If I ship greater than100 % of my quota as of July 31, 2009 how will I start August 1, 2009?

Saskatchewan will be in a pre-fill position as of August 1, 2009. Producers shipping greater than 100 % of their quota as of July 31, 2009 will be in pre-fill and will start with positive kgs of butterfat credits or positive credit days equivalent to their pro-rata portion of the over quota. This would be the case whether Saskatchewan moved to Continuous Daily Quota or not.

If I am in prefill August 1, 2009 how can I get my 4M dollars back?

The following condition must be met to get back the 4M dollars held by the Board:

When July 31, 2010 production is reconciled, a producer must be at or below zero cumulative kgs of butterfat. If a producer is still at positive credits or positive credit days, **no 4M dollars will be refunded.** These dollars will be added into the September, 2010 month-end pool and paid out October 15, 2010. All producers will share in these dollars.

It does not matter if a producer is at or below zero kgs of butterfat during any of the months throughout the year. **The day of reconciliation is based on August 1, 2009 to July 31, 2010 production.**

If Saskatchewan had been in a prefill situation before the change to Continuous Daily Quota this would also have been the case.

What can I do to get down to zero positive credits or credit days?

Producers have a number of options they can use to get their quota position back in line. They can transfer in credits, buy quota, decrease the number of cows being milked, etc.

What happens to my 4M dollars if I leave the industry before July 31, 2010?

If a producer who is in pre-fill leaves the industry before July 31, 2010, **they will forfeit all 4M dollars held by the Board.** The 4M dollars will go into the September 2010 month-end pool and all producers will share in those dollars.

The 4M Dollars held by the Board will only be refunded back to producers in prefill who meet the zero or less cumulative position for the July 31, 2010 reconciliation.

What happens if I start August 1, 2009 with at or greater than +10 days?

A producer starting in pre-fill at or greater than +10 days will only receive payment for their in-quota production.

For example: 100 kgs of butterfat is the producers' daily quota. The pickups are based on 30 days, so the producers' in-quota monthly allocation is 3,000 kgs of butterfat. The producer ships 3,500 kgs of butterfat. The producer will receive payment for 3,000 kgs of butterfat and 500 kgs of butterfat will be over quota (over the +10 day limit). There is no 4M as of August 1, 2009. The value of that milk will be put back into the month-end pool and all producers will receive a higher blend price.

The producer will never have the ability to recoup that over quota production and all deductions for the over quota milk will be applied MCB fees, DFS levy, and haulage.

Any producer whether in pre-fill or not that exceeds the +10 credit days will receive ***ZERO PAYMENT*** and all deductions for the over quota milk will be applied, MCB fees, DFS levy and haulage.

What happens if I start August 1, 2009 with some pre-fill days but not exceeding the +10 day limit?

A producer starting August 1, 2009 with some pre-fill days but not exceeding the +10 day limit still has flexibility before they are over quota.

For example: A producer starting in pre-fill at +7 days has 3 days flexibility before they are over quota. If 100 kgs of butterfat is your daily quota, and your pickups are based on 30 days, then your in-quota monthly allocation is 3,000 kgs of butterfat. If you ship 3,200 kgs of butterfat, you will receive payment for 3,000 kgs of butterfat based on in-quota, 200 kgs of butterfat will also receive full payment because 3 days or 300 kgs of butterfat of flexibility still exists. You would have 1credit day remaining or put another way you would be at +9 credit days.

When can I get transfer credits?

There will be no transfer credits available in August 2009, because no producer will have accumulated any. The earliest a producer will be able to find credits will be September 2009.

What is the deadline for transfer credits?

The transfer credit deadline for any month is by midnight of the 20th. For example any transfer credit forms in the Board Office on or before midnight of October 20th will be effective October 1st.

Where can I find producers wanting to transfer credits?

The Board will maintain a web page with producers wanting to transfer credits in or out. It will be updated on a daily basis as requests come into the office. Producers who do not have internet access can call the Board and have the information faxed to them.

Producers wanting their name posted on the web page can contact the Board. Postings will be dated and kept on the website for 2 months. It is up to the producer to have their name reposted after the 2 months or removed if they fill their requirement before the 2 month period is up.

What is the maximum amount of transfer credits that I can transfer out in a month?

The maximum transfer credits a producer can transfer out in a month are equal to what the producer's cumulative under position was in the previous month. You can only transfer out to a cumulative position of zero credits.

The maximum a producer can transfer out in a rolling 12 month period is 15%.

What is the maximum amount of transfer credits that I can transfer in?

There is no limit to the amount of credits that can be transferred in a rolling 12 month period. The only limit when transferring in credits would be to not drop below the -30 credit day limit at the end of each month or you will have lost the opportunity to carry-forward those credits to produce that milk in the future.

When will we know if Incentive Day Credits are available?

The Board will do its best to give producers as much notice as possible when incentive day credits are going to be available.

If the province is over quota as of July 31, 2010 will I still get all my 4M dollars back if I am at zero credits or credit days?

Yes.

MILK CONTROL BOARD MEMBERS

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